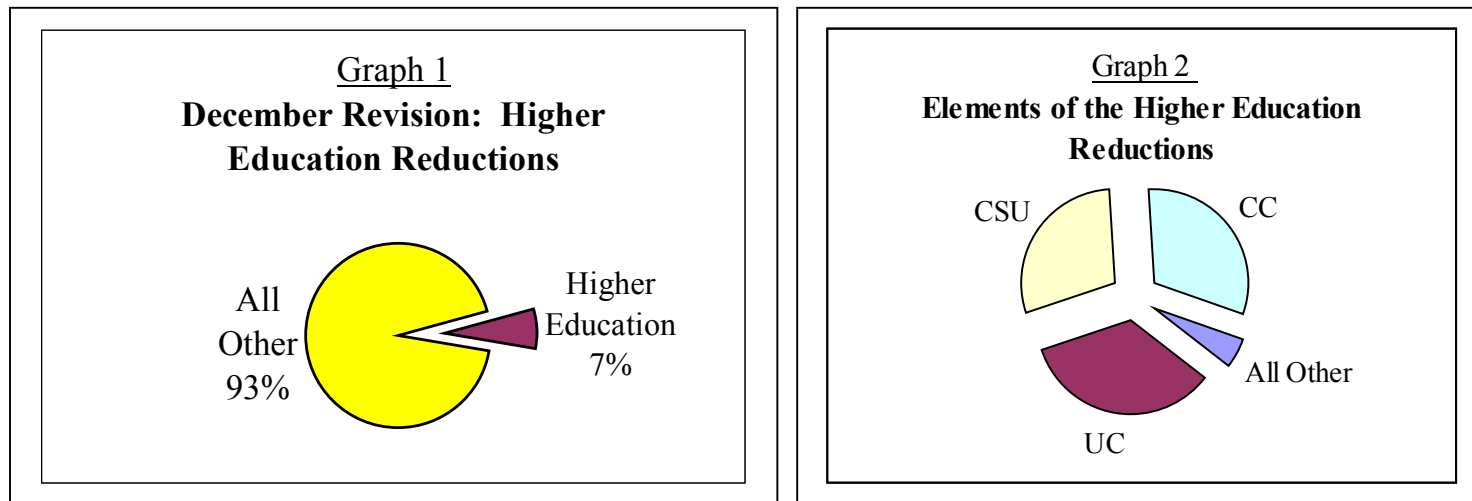


# Higher Education

## HIGHER EDUCATION



Higher education accounts for about seven percent of the reductions contained in December Revision. Of this amount, the cuts are predominately made to the higher education segments, roughly evenly distributed among the University of California (UC), the California State University (CSU) system and the community college system. Graphs 1 and 2 are illustrative.

# **CALIFORNIA STATE LIBRARY (CSL):**

<u>Program</u>	<u>Description</u>	<u>CY Cut (millions)</u>	<u>BY Cut (millions)</u>	<u>Consequences</u>	<u>Trailer Bill /Time line</u>
<ul style="list-style-type: none"> <li>Public Library Foundation (PLF)</li> </ul>	<p>Although never fully funded, the PLF was intended to replace some of the revenue lost in the funding cuts that followed Proposition 13. The program provides grants to local libraries for operations and materials.</p> <p>Proposal represents a 50 percent reduction in the program from the CY budget.</p> <p>Since 2000-01 when the PLF budget was \$56.9 million, the program has been reduced 72 percent and would total \$15.7 million in the CY if proposed reductions are adopted.</p>	\$15.8		Local libraries will likely reduce hours of operation and have difficulty acquiring new materials and have to cease operating special services such as bookmobiles and literacy programs.	<p>No TB needed;</p> <p>Funds need to be reverted by end of January since The PLF money for the current year goes out in February 2003.</p>

### **CALIFORNIA COMMISSION ON TEACHER CREDENTIALING (CTC):**

<u>Program</u>	<u>Description</u>	<u>CY Cut</u> <u>(millions)</u>	<u>BY Cut</u> <u>(millions)</u>	<u>Consequences</u>	<u>Trailer Bill</u> <u>/Time line</u>
• Pre-Intern Programs	Provides emergency permit teachers with preparation in the subject matter they are assigned to teach, with goal of transferring to Intern or other teacher preparation program.	\$16.4		DOF notes that these are unused, carry-over funds from prior years, when the program was slow to ramp-up.	No TB needed;

### **HASTINGS COLLEGE OF LAW (HCL):**

The Governor's December Revision proposes to reduce funding for the HCL by \$1 million or 6.5 percent of its' General Fund budget. At present, Hastings indicates that it does not intend to assess a mid-year increase in student fees; however, approximately 50 percent of the current-year reduction (\$480,000) could be recovered by assessing a \$400 fee increase for the Spring semester (which is the approximate increased fee amount adopted by the UC Regents for law students).

## UNIVERSITY OF CALIFORNIA (UC):

While the state does not “line-item” budget the UC, the Governor specifies that funding for the following programs and services and services be reduced (rather than allowing the UC to determine how the entire \$74.3 million in reductions would be achieved.) Following is a summary of the proposed UC reductions:

<u>Program</u>	<u>Description</u>	<u>CY Cut (millions)</u>	<u>BY Cut (millions)</u>	<u>Consequences</u>	<u>Trailer Bill /Time line</u>
<ul style="list-style-type: none"> <li>Academic &amp; Institutional Support</li> </ul>	General campus administration and operations (including libraries, program administration, health clinics and support staff). Does not include academic instruction or facility & building maintenance.	\$20		<p>Campuses will be given the flexibility to determine how the cuts will be implemented.</p> <p>Health science clinics will likely experience decreases in the amount and level of services provided as well as hours of availability.</p>	<p>No TB needed;</p> <p>Funds can be reverted at any time in CY</p>
<ul style="list-style-type: none"> <li>State-Supported Research</li> </ul>	UC intends to “sweep” unexpended funds from targeted research programs, including: MIND Institute (\$2 million); Labor Institute (\$2 million); Brain Injury Research (\$2 million); UC Mexico	\$18		In the CY, many of the funds targeted for reversion were being set-aside or saved for a specific purpose or had not yet been dispersed for research grants; although advocates from the Labor Institute contend the \$2 million reduction is a base cut.	<p>No TB needed;</p> <p>Funds can be reverted at any time in CY</p>

	Program (\$2 million) and the Substance Abuse Research Program (\$10 million).			Reductions in these programs will result in direct research cutbacks and essentially negate the “buildup” of state-support research that occurred during the late 1990’s.	
• Student Services	Student fee-funded programs include: student financial aid, admissions, registrar, intercollegiate and intramural athletics, recreation programs, and student arts and cultural programming.	\$6.336		In the CY, UC intends to keep financial aid, admissions and registrar services in tact and will instead cut other Registration-funded programs including student events and arts, cultural programming and athletics.	No TB Needed;  Funds can be reverted at any time in CY
• Student Outreach	Outreach programs to students from economically-and socially-disadvantaged backgrounds. A myriad of programs aim to increase the academic preparation of these students, through partnerships with K-12 schools.	\$3.332		In the CY, this reduction amounts to a five percent across the board cut to all UC-administered student outreach programs.	No TB Needed;  Funds can be reverted at any time in CY
• AP Online	Provides online Advance Placement	\$4		Reduction will result in no new courses being developed, which	No TB Needed;

	courses to students/schools that otherwise would not be able to offer advanced courses. Funds are used to develop the curriculum and convert the courses to an on-line format.			will keep the program at its current level.	Funds can be reverted at any time in CY
• Public Service	Broad range of activities organized by the UC to serve local communities, students, teachers and the public in general. Includes Cooperative Extension (applied Agriculture research).	\$2.5		Reduction results in a five percent across-the-board cut to all UC Public Service Programs.	No TB Needed;  Funds can be reverted at any time in CY
• K-12 Internet	Infrastructure project to connect K-12 schools to Internet backbone.	\$1.1		Reduction results in no expansion in the number of schools served. (Rural schools still won't be served). UC estimates that approximately 88 percent of schools have been connected to-date.	No TB Needed;  Funds can be reverted at any time in CY
• Unallocated Reduction	Governor's proposal calls for an unallocated reduction of \$19 million	\$19		UC intends to recover the \$19 million in unallocated reductions by raising student fees in the	No TB Needed;

	in the CY.			<p>current year (effective January 2003);</p> <p>The Board of Regents convened a special session on December 16<sup>th</sup> to increase fees for resident students by \$135 for the Spring term and increase the differential fee charged to professional school students by anywhere from \$150 to \$400 depending upon the program. These amounts will double in the Budget Year, with additional increases likely (pending the amount of General Fund available for the UC in 2003-04).</p>	<p>Funds can be reverted at any time in CY</p>
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### **Selected UC Issues**

Targeted Reductions – Reductions are targeted at specified programs, including a \$10 million reduction in support for the Substance Abuse Research Program (from prior-year, carryover funds) and \$2 million from the MIND Research Institute.

Student Fees – UC took action on Monday December 16, 2002 to increase student fees for the Spring term by \$135 for all students and to also increase the differential fee assessed to students in professional programs (Medicine, Dentistry, Law, Business, Nursing, Theater/Film/TV, etc.) These increases represent the half-year costs of the increase. As a result, the increase will double in the Budget Year (\$270 for all students) with the



strong likelihood that additional increases will be approved. According to the UC, fees represent only one-quarter of the total cost of a UC education and UC student fees remain among the lowest in the nation. Furthermore, UC notes that fees for professional students will still remain approximately \$7,800 below those of comparison institutions, even after the mid-year increases.

*Overall Level of Reductions* – The Governor’s December Revision reduces funding for the UC by \$74.3 million. This equates to a 2.4 percent reduction, which is equivalent to the reduction proposed for the California State University (CSU), but falls short of the 3.66 percent across-the-board reductions in K-12 and the Community Colleges (total reductions in the Community Colleges total 4.37 percent.)

Given the UC Board of Regent’s ability to raise student fees and retain two-third of the revenue to “backfill” program reductions (one-third of the revenue derived from fee increases goes back to student financial aid), the actual percentage reduction absorbed by the UC in the current year will be closer to 1.7 percent.

Since Due to the level and targeted nature of the reductions, UC believes that direct academic instruction will not be impacted (since cuts are targeted at other areas of University operations, including student outreach, state-supported research and student services).

#### Alternatives:

In relation to the Proposition 98-funded educational entities, UC’s current year realized reduction of 1.7 percent appears minor. As an alternative, UC may be able to absorb additional current year unallocated reductions (depending on the reductions proposed for the system in the Budget Year) without a fee increase. Further, UC could assess a mid-year fee increase in excess of the \$135 currently proposed.

According to the UC, since the beginning of the 2001-02 fiscal year, UC's state-funded budget has taken more than \$240 million in cuts, including \$74 million in proposed current-year reductions. Furthermore, UC has foregone an additional \$237 million in funding it had expected over the last two years for faculty and staff salary increases and other cost increases under its “Partnership Agreement” with the Davis administration. In

total, the budget shortfall, as computed by the UC, is now approximately \$480 million and will likely grow higher next year.

**CALIFORNIA STATE UNIVERSITY (CSU):**

The Governor's December Revision proposes to reduce funding for the CSU by \$59.6 million. This equates to a 2.3 percent reduction, which is equivalent to the reduction proposed for the UC but falls short of the 3.66 percent across-the-board reductions in K-12 and the Community Colleges (total reductions in the Community Colleges total 4.37 percent.) Given the CSU Board of Trustees's ability to raise student fees and retain two-third of the revenue to "backfill" program reductions (one-third of the revenue derived from fee increases goes back to student financial aid), the actual percentage reduction in the current year will be closer to 1.7 percent.

In addition to the \$59.6 million mid-year proposed reduction, CSU states it has an additional \$22.8 million in unfunded costs associated with health care and compensation increases. After adding these unfunded costs and cuts together, CSU arrives at a total mid-year "shortfall" of: \$82.4 million.:

<u>Program</u>	<u>Description</u>	<u>CY Cut (millions)</u>	<u>BY Cut (millions)</u>	<u>Consequences</u>	<u>Trailer Bill / Time line</u>
• Unallocated Reduction	CSU Board of Trustees to determine which programs and services will be reduced.	\$59.6	\$152.3	CSU believes it needs to compensate for an \$82.4 million current year shortfall and the Trustees took action at a special meeting on December 16 <sup>th</sup> to:  (1) Increase student fees by 5 percent for undergraduates (\$72) and 15 percent for graduate students (\$114). This will bring the fee level for undergraduate students to \$786 per semester or \$1,572 per year; graduate student fees would be \$867 per semester	TB Not needed;  Additional expenditure authority is needed in the CY to appropriate funds derived from student fee increase.

				<p>or \$1,734 per academic year, which amounts to a ten percent and 30 percent annual increase, respectively. This fee level is still far below (\$2,000 less than) the average for comparison institutions.</p> <p>Of the total amount of revenue generated from the fee increase (\$30.1 million), one-third will be used to provide financial aid for needy students and the remaining two thirds (\$20.1 million) will be used to offset the \$82.4 million mid-year shortfall.</p> <p>(2) Reduce operations spending by \$62.5 million on a one-time basis by (a) filling only critically-needed positions; (b) reducing travel and administration costs; (c) reducing funding for building maintenance; (d) reducing funding for academic support and (e) deferring some expenditures until the Budget Year.</p>	
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**Selected CSU Issues:**

*Student Fees* – The CSU Board of Trustees took action on Monday December 16, 2002 to increase student fees for the Spring term by \$72 (five percent) for undergraduate students and \$114 (15 percent) for graduate students. This will bring the fee level in the current year to \$786 and \$867 per semester for undergraduate and graduate students respectively. This fee level is still approximately \$2,000 per year less than the average of comparison institutions. Of the total amount of revenue generated from the fee increase (\$30.1 million), one-third of the revenue will be used to provide financial aid for needy students and the remaining two thirds (\$20.1 million) will be used to offset CSU's \$82.4 million mid-year shortfall.

*Reductions* – The Governor's December Revision reduces funding for the CSU by \$59.6 million. This equates to a 2.3 percent reduction, which is equivalent to the reduction proposed for the UC, but falls short of the 3.66 percent across-the-board reductions in K-12 and the Community Colleges (total reductions in the Community Colleges total 4.37 percent.)

Reductions proposed for the CSU are unallocated in nature, with the CSU Board of Trustees retaining discretion over how the cuts will be implemented. CSU intends to reduce operations spending by \$62.5 million (on a one-time basis) by filling only critically-needed positions and reducing funding for academic support, among other things. It is unclear how the proposed reductions will be received by the various CSU constituency groups. It is possible that reductions implemented in this manner, may result in conflict with faculty organizations over such issues as faculty hiring and compensation.

Given the CSU Trustees ability to raise student fees and retain two-third of the revenue to "backfill" program reductions (one-third of the revenue derived from fee increases goes back to student financial aid), the actual percentage reduction absorbed by the CSU in the current year will be closer to 1.5 percent.

**Alternatives:\_**

In relation to the Proposition 98-funded educational entities, CSU's current year realized reduction of 1.5 percent appears minor. As an alternative, CSU may be able to absorb additional current year unallocated

reductions (depending on the reductions proposed for the system in the Budget Year) without a fee increase. Further, CSU could assess a mid-year fee increase in excess of the \$72 currently proposed for undergraduates and the \$114 proposed for graduate students.

CSU would note that in addition to the \$59.6 million in proposed current year reductions, the CSU has also experienced \$43 million in cuts enacted in September and \$22.8 million in unfunded costs experienced by the system. On top of that, the CSU is trying to manage over 8,000 FTE students in the current year for which it has received no funding.

### **CALIFORNIA COMMUNITY COLLEGES (CCC):**

The Governor's December Revision proposes to reduce funding for the Community Colleges by 4.37 percent. This includes a 3.66 percent across-the-board reduction for all apportionments and categorical program funding and an additional reduction of \$80 million for alleged "double counting" of concurrently-enrolled K-12 students. The budget "hit" to the community colleges is significantly higher than the reductions proposed for the other Higher Education Institutions (approximately 2.4 percent; 1.7 percent after UC and CSU reap the revenues from increased student fees).

<u>Program</u>	<u>Description</u>	<u>CY Cut (millions)</u>	<u>BY Cut (millions)</u>	<u>Consequences</u>	<u>Trailer Bill / Time line</u>
<ul style="list-style-type: none"> <li>Across-the Board reduction to all colleges for apportionments and categorical programs.</li> </ul>	<p>Reduces general purpose funding for colleges by 3.66 percent;</p> <p>Also reduces the amount of funding</p>	\$97.5		Less funding per student results in less support for direct instruction and academic support. Including: fewer instructors, fewer course offerings, impacted classes, longer time to accomplish	<p>No TB Needed;</p> <p>Unexpended funded could be</p>

	available for all “categorical” programs (i.e., basic skills; EOPS; services to disabled students; Partnership for Excellence; Part-time faculty compensation; Economic Development) by 3.66 percent across-the-board.			degree/academic or certificate objectives.  Less support for categorical programs results in limited availability of services for “at risk” student populations (CalWORKS, disabled, underrepresented students); statutory requirements for providing services remains in place despite reduced funding.	recaptured in the Proposition 98 Reversion Account.
<ul style="list-style-type: none"> <li>Reduction for alleged abuses of concurrent enrollment option for K-12 students at community colleges.</li> </ul>	Recently a number of newspaper articles have revealed that colleges are abusing the K-12 concurrent enrollment system by enrolling students in Physical Education courses that do not meet the statutory specifications outlined for concurrent enrollment, and then claiming ADA for the students.	\$80.0		<p>The extent to which concurrent enrollment is being abused is unclear. In the absence of “hard” data, DOF is estimating that approximately 20,000 Community College FTE are concurrently enrolled K-12 students who are being claimed inappropriately. As a result, the Governor’s December Revision reduces the CCC budget by \$80 million.</p> <p>Legitimately enrolled K-12 students may be penalized for</p>	TB not needed, but may be useful to prevent “double counting” of FTE in the future..

				the inappropriate practices of a few K-12 and community college districts.	
<ul style="list-style-type: none"> <li>Property Tax Shortfall/Backfill</li> </ul>	<p>The CY budget overestimates the amount of property tax revenue that community colleges will receive (and spend on a per student basis).</p> <p>In good budget years, the state has elected to backfill these “lost” revenues; however the Governor’s December Revision explicitly states that these over-budgeted revenues will not be back-filled</p>	\$37.5		<p>This is a long-standing issue for the community colleges.</p> <p>While the state does not traditionally backfill the community colleges when property tax payments come in lower than the estimates used for budgeting, it does result in a real reduction in revenues for districts since DOF calculated their per student rate based on the assumption that districts would have \$37.5 million more in property tax monies than they will actually have.</p>	No TB needed

### **Selected Community College Issues:**

#### *Reduction for alleged abuses of concurrent enrollment option for K-12 students at community colleges.*

Current law allows K-12 students to be concurrently enrolled in classes on community college campuses, as specified. Specifically, the courses must be a community college level course which is open to the public. Recently the *Orange County Register* reported that colleges are abusing the system by enrolling K-12 students in Physical Education courses that are otherwise not open to the public and then claiming ADA for the students.



DOF intends to conduct an audit of this practice to determine the extent to which it is occurring. In the absence of “hard” data, DOF cuts the community colleges’ budget by \$80 million, estimating that approximately 20,000 Community College FTE students are concurrently enrolled K-12 students being claimed inappropriately. In estimating the extent to which this practice is occurring on college campuses, DOF extrapolated data it received from the Los Angeles Community College District and then assumed that 40 percent of “special admit students” (which includes K-12 students, as well as other types of “special admits”) were inappropriately claimed. The Community College Chancellor’s Office estimates that the appropriate dollar figure is somewhere between \$10 and \$45 million while the *Orange County Register* sited the statewide cost at \$56 million.

While all parties acknowledge that the practice is occurring, the extent of it remains unclear. However, staff notes that it seems inappropriate for the Administration, which has yet to conduct an audit, to substantially reduce the budget of the community colleges prior to hard evidence illustrating the depth and breadth of wrong doing.

*As an additional note*, community colleges are already having a difficult time absorbing over 60,000 FTE students in the current year for which they never received funding, without the state arbitrarily cutting \$80 million from their instructional budgets.

### **Alternatives:**

*Fees for Concurrently Enrolled K-12 Students.* In the budget year, the Legislature may wish to consider enacting legislation to increase student fees at the community colleges (unlike UC and CSU the community college fee level is set in statute) and, contrary to current practice, allowing the community colleges to keep the fee revenue to offset budget reductions. Currently, most all revenue generated from community college student fees are an offset to the state General Fund (pursuant to Ed Code sections 84751 and 76300.) These sections require that the Chancellor subtract from the total revenue owed to each district, 98 percent of what community colleges collect in student fee revenues and use this amount as an offset to the General Fund. The remaining 2 percent is used to administer the collection of the fees.

The Legislature could allow the Community Colleges to retain revenues generated by student fees, but require that the system use a portion of these resources to address student financial aid for the most needy students and for other identified activities.

Possible Student Fee Increases. Under current law, individual community colleges have discretion over whether or not they charge fees to “Special Admit” students (including concurrently enrolled K-12 students), regardless of the student’s financial need. The Legislature may wish to consider requiring districts to assess fees on these students unless they meet the financial need requirements of the Board of Governor’s Fee Waiver Program (BOG), and then allowing districts to keep the revenue (as discussed above).

#### **CALIFORNIA STUDENT AID COMMISSION:**

The Governor’s December Revision proposes to minimally reduce state operations funding for California Student Aid Commission and leave the Cal Grant Program untouched. While reductions in the Cal Grant program would be difficult if not impossible to implement in the current year, staff notes that there are several options available, in the Budget Year, to limit the growth in funding needed to support the program.

#### **Budget Year Alternatives:**

The Cal Grant Entitlement Program provides a Cal Grant to students meeting specified GPA and financial need requirements. The amount of the grant covers mandatory systemwide fees at the UC and CSU and up to \$9,700 for students attending private institutions. As word of the Entitlement Program gets out, more and more eligible high school students are applying and being deemed eligible for a Cal Grant.

In order to keep costs down within the Cal Grant Entitlement Program in the Budget Year, the Legislature may wish to consider: (1) providing partial grants to all Cal Grant recipients at, for example, 85 percent of the full grant amount, thus allowing students with the highest need to receive a full grant while students with the lowest financial need receive a smaller grant; it is unclear how much in savings would be reaped from adopting this

type of grant model; (2) lowering the income ceiling under which students are deemed to be “financially-needy.” For example in the Cal Grant A program, a reduction of \$3,000 from the current income ceiling of \$78,000 for a family of six or more to \$75,000 (with a corresponding change in the Cal Grant B program) saves the state approximately \$5 million; and/or (3) increasing the minimum Grade Point Average requirement for both Cal Grant A and Cal Grant B recipients. Increasing the GPA for Cal Grant A recipients from 3.00 to 3.10 and for Cal Grant B recipients from 2.00 to 2.10 would save the state approximately \$10 million. Increasing the GPA to 3.20 and 2.20 for Cal Grant A and B respectively would save the state a total of \$27 million.

## SELECTED K-12 ISSUES

Adult Education Concurrent Enrollment. The Administration proposes to reduce funding for adult education by \$13.5 million (which equates to 6,100 ADA) to account for audit findings in 1992 when it was revealed that approximately one dozen districts were illegally “double” claiming ADA for regularly enrolled K-12 students who were also enrolled in Adult Education courses.

CalWORKS Stage 3 Child Care. The Administration proposes to eliminate CalWORKS Stage 3 child care services, which are specifically available for families who have otherwise exhausted their two-year CalWORKS transitional eligibility. Eliminating the program, as of April 1, 2003 (as proposed by the Administration) would save \$99 million and leave 55,700 children without child care services as of that date. In order to implement this change effective April 1<sup>st</sup>, Trailer Bill language would need to be adopted by the Legislature by the end of January 2003. In addition to leaving children and families without childcare services, eliminating Stage 3 CalWORKS child care will likely result in an undetermined number of families returning to aid and to Stage 1 child care services.

- **Child Care Alternatives**

The Legislative Analyst suggests funding Stage 3 CalWORKS child care services using one-time federal funds (in order to still reap the General Fund Proposition 98 savings) through the end of the current year. Continuing to fund the program through the end of the current fiscal year would ensue that families don't lose care within the next three months and would also allow the Administration to work with the Legislature and the various constituency groups to develop a workable child care plan for the state.

In developing a longer term child care plan, the Legislature may want to consider re-evaluating the need for partial-day State Preschool (\$308 million) to determine if this is indeed the best use of the state's child care resources. Other options include assessing the rate of reimbursement for both licensed and license-exempt providers.

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